

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6259

BILL NUMBER: HB 1409

NOTE PREPARED: Dec 2, 2006

BILL AMENDED:

SUBJECT: Volunteer Firefighter Tax Deduction.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides an Individual Income Tax deduction of up to \$2,000 for a volunteer firefighter.

Effective Date: January 1, 2008.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new deduction. The DOR's current level of resources should be sufficient to implement the new deduction.

Explanation of State Revenues: The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who are active volunteer firefighters in Indiana to the extent that they receive income payments for providing volunteer firefighter services. The maximum annual deduction amount is \$2,000. The revenue loss due to the deduction is indeterminable as data is unavailable describing the prevalence and value of income payments by volunteer fire departments to volunteer firefighters. If, however, every volunteer firefighter in Indiana is able to claim a \$1,000 deduction, the revenue loss could potentially total \$680,000 annually. The revenue loss from the deduction would commence in FY 2009.

Background Information: The bill creates an AGI Tax deduction for individual taxpayers who are active volunteer firefighters in Indiana for income received for service as a volunteer firefighter. The deduction is limited to the first \$2,000 in income received by a volunteer firefighter during the taxable year. The Indiana Department of Homeland Security reports that there are approximately 20,000 volunteer firefighters in Indiana. However, no data is available relating to the prevalence or value of income payments that volunteer fire departments currently may be providing to volunteer firefighters. Since the deduction is effective

beginning in tax year 2008, the fiscal impact would begin in FY 2009. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Because the proposed deduction would serve to decrease taxable income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) may, as a result, experience an indeterminable decrease in revenue from these taxes.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with local option income taxes.

Information Sources: Michelle Milliken, Indiana Department of Homeland Security, (317) 234-0945. Joanna Cornwell, Indiana Department of Homeland Security, (317) 234-4554.

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